

FILED**MAY 27 2015****SECRETARY, BOARD OF
OIL, GAS & MINING****BEFORE THE BOARD OF OIL, GAS AND MINING****DEPARTMENT OF NATURAL RESOURCES****STATE OF UTAH**

IN THE MATTER OF THE REQUEST)	[PROPOSED]
FOR AGENCY ACTION OF WHITING)	FINDINGS OF FACT,
OIL AND GAS CORPORATION FOR)	CONCLUSIONS OF LAW, AND
AN ORDER AUTHORIZING THE)	INTERIM ORDER
VENTING OR FLARING OF GAS)	
FROM THE MORONI 11M-1107 WELL)	Docket No. 2015-001
LOCATED IN SECTION 11,)	Cause No. 176-05
TOWNSHIP 15 SOUTH, RANGE 3)	
EAST, S.L.M., SANPETE COUNTY,)	
UTAH)	

This Cause came on regularly for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, April 22, 2015, at the hour of 10:00 a.m. in the Moab City Council Chambers, 217 East Center Street, Moab, Utah. The following Board members were present and participated at the April 22, 2015 hearing: Ruland J. Gill, Jr., Chairman, Carl F. Kendell, Chris D. Hansen, Susan S. Davis, Gordon L. Moon, and Richard Borden. John R. Baza, Director; John Rogers, Associate Director—Oil and Gas; Brad Hill, Oil and Gas Permitting Manager; and Dustin Doucet, Petroleum Engineer, were present for the Utah Division of Oil, Gas and Mining (the "Division"). The Board was represented by Michael S. Johnson, Assistant Attorney General, and the Division was represented by John Robinson, Jr., Assistant Attorney General.

The petitioner, Whiting Oil and Gas Corporation ("Whiting"), was represented by Thomas W. Clawson of Van Cott, Bagley, Cornwall & McCarthy, and Paul Joeckel, Whiting's Landman, and Ralph Nelms, Whiting's Petroleum Engineer, testified on behalf of petitioner. The Board recognized Mr. Nelms as an expert reservoir engineer for the purposes of this Cause.

Respondent International Petroleum Limited Liability Company (“Respondent”) was represented by Anthony T. Hunter. Other than Whiting, Respondent, and the Division, no other person or party filed a response to Whiting’s Amended Request for Agency Action (the “Amended Request”) and no other person or party appeared at or participated in this Cause or the April 22, 2015 hearing.

Whiting filed its original Request for Agency Action on December 11, 2014 (the “Original Request”). On January 12, 2015, Respondent filed its Response to Request for Agency Action. By Order issued on April 7, 2015, the Board granted Whiting’s Motion for Leave to Amend Request for Agency Action, which allowed Whiting to file its Amended Request in the form attached to the motion. To allow completion operations on the Moroni #11M-1107 Well (the “Well”) to be completed before hearing this matter, the Board continued the evidentiary hearing in this Cause three times from the Board’s regularly scheduled January 28, 2015 hearing to the Board’s April 22, 2015 regularly scheduled hearing.

At the beginning of the April 22, 2015 hearing and during Whiting’s counsel’s introductory remarks, Whiting modified its request for relief under the Amended Request to limit the period for its flaring exception request for the Well. Whiting’s revised request seeks Board approval to flare associated gas from the Well for a period long enough to gather production data sufficient to perform an economic analysis of the Well as required under the Board’s flaring exception rules. Whiting’s counsel reminded the Board that the Well is also the subject matter of a pending spacing proceeding in Cause No. 176-06 wherein Respondent and its co-petitioner Bro Energy, LLC are seeking to establish a 640-acre drilling unit in the Tununk Member of the Mancos Shale formation for the Well. Based on the oral motion of the Division’s counsel made at the hearing, the Board took official notice of the record in Cause No. 176-06 for purposes of augmenting the record in this Cause. At the conclusion of the hearing and following a recess to

facilitate discussion amongst the parties, Whiting, Respondent, and the Division informed the Board that they had agreed that the Board could: (1) enter an interim order granting Whiting's Amended Request to authorize the continued flaring of the Well until the Board's regularly scheduled January 2016 hearing to (i) facilitate the gathering of a minimum of 180 days of additional actual production data from the Well and (ii) provide sufficient time to analyze that data in order to perform a reliable economic analysis of the Well and reservoir utilizing any engineering or geologic data available and considering the total well production from the Well as required by Rule R649-3-20(5.7), Utah Administrative Code ("U.A.C."); and (2) continue this Cause until the Board's January 2016 hearing at which time Whiting would report back to the Board with the results of its analyses. The Board unanimously adopted a motion made at the hearing based on the parties' agreement. Subsequent to the hearing and in connection with the preparation of this interim order, Respondent suggested that Whiting's economic analyses should include, but not be limited to, the following engineering and geologic data: daily production of oil, gas, and water; daily wellhead pressure; original bottom hole pressure; shut-in bottom hole pressure (shut in for a minimum of one week); average porosity; average net pay; an oil sample analysis; a gas compositional analysis; and water saturation. Recognizing the proprietary nature of such data and desiring to keep such data confidential, Whiting and Respondent have committed to reaching a confidentiality agreement regarding such data for the limited purposes of this proceeding, or seeking a protective order from the Board, in a timely manner prior to the Board's January 2016 hearing.

The Board, having fully considered the testimony adduced and exhibits received into evidence at the April 22, 2015 hearing, being fully advised, and good cause appearing, hereby makes the following findings of fact, conclusions of law, and interim order in this Cause:

FINDINGS OF FACT

1. Notices of the time, place, and purposes of the Board's regularly scheduled April 22, 2015 hearing were mailed to all interested parties by first-class mail, postage prepaid, and were duly published in the Salt Lake Tribune, Deseret Morning News, newspapers of general circulation in Salt Lake City and County, and the Sanpete Messenger, Gunnison Valley Gazette, and The Pyramid, newspapers of general circulation in Sanpete County, Utah, pursuant to the requirements of Rule R641-106-100, U.A.C. Copies of Whiting's Amended Request were mailed to all interested parties pursuant to Rule R641-104-135, U.A.C.

2. Whiting filed the Original Request on December 11, 2014. By Order issued on April 7, 2015, the Board granted Whiting's Motion for Leave to Amend Request for Agency Action, which allowed Whiting to file its Amended Request in the form attached to the motion. On or about January 13, 2015, Respondent filed its Response to Request for Agency Action, in opposition to Whiting's Original Request. Respondent renewed its opposition to Whiting's Amended Request at the April 22, 2015 hearing.

3. Other than Respondents' Response to Request for Agency Action, no other written responses, protests, or objections to Whiting's Request or Amended Request were filed with or received by the Division or the Board, and other than Whiting, Respondent, and the Division, no other persons or parties appeared at, or participated in, the April 22, 2015 hearing.

4. Whiting is a Delaware corporation in good standing, having its principal place of business in Denver, Colorado. Whiting is licensed to do business, and is doing business, in the State of Utah.

5. The Well is a horizontal well completed in the Tununk Member of the Mancos Shale formation. The Well's surface location is situated in the SW¹/₄SW¹/₄ of Section 11, Township 15 South, Range 3 East, S.L.M., and the Well's bottomhole location (terminal

lateral) is situated in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of the same section. Whiting is the Operator of the Well.

6. The Well is located on and traverses numerous fee (private) oil and gas leases, including leases owned by Respondent.

7. The Well and associated leases are currently subject to the Board's well-location and siting rules governing horizontal wells, which establish a temporary 640-acre spacing unit consisting of all of subject Section 11 for the purposes of determining well density and location.

8. The Tununk Member of the Mancos Shale formation in the vicinity of the Well is sparsely drilled and its potential as a hydrocarbon reservoir is relatively unexplored. Based on the horizontal drilling and completion techniques Whiting employed to drill the Well, the Board recognizes that the Well is an exploratory wildcat well.

9. The Well was spud on August 27, 2014, and completion operations (drilling frac plugs) were completed on March 17, 2015. First production occurred on February 14, 2015, prior to the completion of flowback operations.

10. The Well produced from February 14, 2015, to April 8, 2015, after which the Well was shut in to allow the pressure to build up. The production from the Well during that period was erratic, but from mid-March to early April averaged about 400-500 MCFPD. Because the Well's production was erratic, such average production rates are unreliable. At the time of the hearing, the production from the Well had not stabilized. Whiting's expert witness testified that he could not accurately evaluate the economic viability of either the Well or the Tununk reservoir based on such erratic production.

11. Gas composition analyses show that the Well is producing methane gas along with volumes of natural gas liquids (NGLs), including ethane. The treatment, liquefaction,

and removal of the ethane before the methane can be placed into a pipeline can significantly affect the expense of a gas plant and the economic viability of developing the Well and the Tununk reservoir in the vicinity of the Well. Additional production testing is warranted to gather additional information regarding the composition of the associated gas and oil being produced from the Well.

12. Whiting's evidence showed that additional production and reservoir testing is required to perform a reliable economic evaluation of the Well and reservoir utilizing any engineering or geologic data available and considering the total well production from the Well.

13. Whiting's evidence established that it may be necessary to conduct additional reservoir testing for up to six months (or a minimum of 180 days of actual production from the Well after April 22, 2015) to establish a sufficient production history to evaluate the Well.

14. Whiting's evidence adduced and received at the April 22, 2015 hearing established that currently there is no economically reasonable alternative to temporarily flaring the gas produced from the Well during the additional production testing of the Well as requested by Whiting.

15. Based on the evidence provided, the Board has determined that temporarily flaring the associated gas from the Well is justified under the circumstances.

16. Pursuant to Rule R641-108-204, U.A.C., and the motion made by the Division at the hearing, the Board hereby takes official notice of the record in Cause No. 176-06 to augment the record in this Cause.

17. The Board voted unanimously to approve Whiting's Amended Request to authorize the temporary flaring of the associated gas from the Well until the Board's regularly scheduled January 2016 hearing, and to continue this Cause until the Board's January 2016 hearing at which Whiting shall report on its economic evaluation of the oil and gas production from the

Well utilizing any engineering or geologic data available and considering the total well production from the Well.

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place, and purposes of the Board's regularly scheduled April 22, 2015 hearing was given to all interested parties in the form and manner and within the time required by law and the Rules and Regulations of the Board. Due and regular notice of the filing of the Amended Request was given to all interested parties in the form and manner and within the time required by law and the Rules and Regulations of the Board.

2. The Board has jurisdiction of the parties and subject matter of the Amended Request pursuant to Section 40-6-5(3)(f) of the Utah Code and Rules R649-3-19 and R649-3-20, U.A.C., and has the power and authority to make and promulgate the order herein set forth.

3. Whiting has satisfied the requirements set forth in Rule R649-3-20(5), U.A.C., for granting its Amended Request to authorize the temporary flaring of the associated gas from the Well until the Board's regularly scheduled January 2016 hearing.

4. The terms and conditions of flaring beyond the limits authorized under Rule R649-3-20(1.1), U.A.C., for temporarily flaring the associated gas from the Well until the Board's regularly scheduled January 2016 hearing are fair, just, and reasonable under the circumstances and will not result in waste.

5. Whiting has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements for granting the Amended Request as ordered below.

ORDER

Based upon the Amended Request, the testimony and evidence submitted and entered at the April 22, 2015 hearing, and the findings of fact and conclusions of law as stated above, it is therefore ordered that:

1. Whiting's Amended Request in this Cause is granted as follows:
 - a. Whiting is hereby authorized to temporarily flare the associated gas produced from the Well until the Board's regularly scheduled January 2016 hearing;
 - b. This Cause is continued until the Board's regularly scheduled January 2016 hearing; and
 - c. At the Board's January 2016 hearing, Whiting shall report to the Board the results of the additional production testing of the Well and present an economic evaluation of the Well and reservoir utilizing any engineering or geologic data available and considering the total well production from the Well as required under Rule R649-3-20(5.7), U.A.C.
2. This is an interim order and is not the Board's final order in this Cause.
3. The Board retains continuing jurisdiction over all the parties and over the subject matter of this Cause.
4. For all purposes, the Chairman's signature on a faxed copy of this Interim Order shall be deemed the equivalent of a signed original.

ISSUED this _____ day of May, 2015.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING

By _____
Ruland J. Gill, Jr., Chairman